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24 February 2021

Company Announcements Office
Australian Securities Exchange

Nanosonics 2021 half-year financial results

This announcement discusses Nanosonics' FY21 half year financial results and contains a comparison of those results with the prior corresponding period. The Company experienced a return in the underlying growth momentum of the installed base, capital revenue and consumables / service revenue during the half and to illustrate this, the half year results are also reviewed in the context of the following periods:

- Q1 FY21[1], when market conditions started to improve, compared with Q4 FY20 when the most significant impacts of COVID-19 were experienced to date; and
- Q2 FY21 is compared with Q1 FY21, when the recovery continued and many aspects of the business and market moved closer to conditions prior to the impacts of COVID-19.

HIGHLIGHTS

- **Global installed base up 12% in last 12 months and up 6% in last 6 months to 25,100 units. Importantly, the number of new units installed in Q2 FY21 was up 38% compared with Q1 FY21.**
- **Half year revenue of $43.1 million, down 11% compared with prior corresponding period.**
  - **The lower revenue was primarily driven by the foreshadowed reduction in purchases by GE Healthcare as a result of the impacts of COVID-19 on its inventory at 30 June 2020 as well as the impact of a stronger Australian dollar.**
  - **Global revenue recovered strongly in Q2 FY21, up 48% compared with Q1 FY21. This growth resulted from stronger installed base growth across all regions, GE Healthcare resuming purchases of capital equipment in Q2 FY21 as well as an increase in consumables and service revenue.**
  - **All revenue associated with I-MED's upgrade of its 200+ trophon®EPR fleet, announced in November 2020, is expected to be recognised in H2 FY21 as new trophon2 systems are installed across their network.**
- **Half year consumables and service revenue of $33.7 million, down 1% compared with prior corresponding period.**
  - **Revenue from consumables and service in Q2 FY21 was up 29% compared with Q1 FY21. This growth reflects the recovery in ultrasound procedure volumes experienced in the half leading to increased purchases by GE Healthcare, along with the growing installed base.**
  - **Q2 FY21 consumables and service revenue in constant currency[2] terms represented the Company's highest quarter on record.**
- **Half year capital revenue of $9.4 million, down 35% compared with prior corresponding period.**
  - **Capital revenue was impacted by the foreshadowed reduction in trophon unit sales to GE Healthcare as a consequence of COVID-19. This impact was primarily experienced in Q1 FY21 with GE resuming purchases of capital in Q2 FY21.**
- **Continued investment in the Company's growth strategy with first half operating expenses of $33.0 million, up 8% on prior corresponding period.**

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- **Operating profit before tax of $0.2 million, compared with $6.7 million in prior corresponding period. This result reflects the impacts of COVID-19, particularly on Q1 revenue, and the ongoing investment in the Company's growth strategy.**
- **Free cash flow for the half year was a net outflow of $2.4 million compared with a net cash inflow of $10.0 million in the prior corresponding period due to the amount and timing of customer receipts and the timing of supplier payments.**
- **Cash and cash equivalents of $87.9 million, providing ongoing strong foundation for continued investment in growth. The Company has negligible debt.**

Nanosonics (ASX: NAN), a leader in infection prevention solutions, today announced its Appendix 4D Half Yearly Report for half year ended 31 December 2020.

"Nanosonics continues to execute on its strategic growth agenda, and despite the COVID-19 pandemic continuing to have impacts throughout the first half of FY21, it is very encouraging to see a significant recovery in the underlying growth momentum of the business across trophon adoption, consumables usage and overall growth", said Michael Kavanagh, Nanosonics' Chief Executive Officer and President.

"As the first half of FY21 progressed, ultrasound procedure volumes recovered significantly, as evidenced by growing shipments of consumables to customers. New installed base also increased as the Company adapted to new customer engagement models, in addition to improving hospital access. The current rate of recovery being experienced demonstrates the ongoing strength in the underlying fundamentals and resilience of the business.

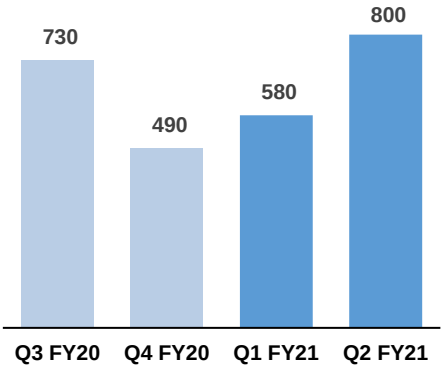
"I take this opportunity to acknowledge the ongoing efforts of the Nanosonics team in navigating the impacts of the pandemic and contributing to the recovery experienced in the first half as well as the infection prevention community and all frontline and affiliated workers involved in the management of the ongoing COVID-19 pandemic", said Mr Kavanagh.

New installed base growth

Throughout the half year, a return to positive underlying momentum in new installed base growth was experienced. Global installed base was up 12% in the last 12 months and 6% in the last 6 months to 25,100 units. Q1 FY21 was up 18% on Q4 FY20 where the main impacts of COVID-19 were experienced to date. Importantly, the number of new units installed in Q2 FY21 continued to recover, up 38% compared with Q1 FY21.

Global installed base growth by quarter

(Units)



- *Q1 FY21 up +18% vs Q4 FY20*
- *Q2 FY21 up +38% vs Q1 FY21*

During the half year, positive momentum in installed base growth was experienced by all regions.

In North America, the total installed base was up 11% in the last 12 months and up 5% in the last 6 months to 22,120 units. Q1 FY21 new units installed was up 17% compared with Q4 FY20. The number of new units installed in Q2 FY21 continued to recover, up 35% compared with Q1 FY21.

In EMEA, investments in local market infrastructure and market expansion resulted in significant growth in the number of new units installed, up 31% in the last 12 months and 18% in the last 6 months to 1,320 units. The number of new units installed in Q1 FY21 was also up 60% compared with Q4 FY20. This growth trend continued into Q2 FY21 with the number of new units up 50% compared with Q1 FY21.

In Asia Pacific, the total installed base was up 6% in the last 12 months and 3% in the last 6 months to 1,660 units. While in Q1 FY21 the number of new units installed was down compared with Q4 FY20, reflecting the strict lockdown measures experienced in particular in Australia, a recovery was experienced in Q2 FY21 with new units installed up 50% compared with Q1 FY21.

FINANCIAL RESULTS

$ millions	FY21 H1	FY20 H1	Change % (vs H1 FY20)	FY20 H2	Change % (vs H2 FY20)
Capital revenue	9.4	14.4	▼ (35%)	15.6	▼ (40%)
Consumables/Service revenue	33.7	34.1	▼ (1%)	36.0	▼ (6%)
Total revenue	**43.1**	**48.5**	▼ (11%)	**51.6**	▼ (16%)
Gross profit	**34.2**	**36.4**	▼ (6%)	**39.1**	▼ (13%)
%	79%	75%		76%	
Operating expenses					
Selling and general	(17.8)	(17.7)	▲ 1%	(17.0)	▲ 5%
Admin	(7.6)	(6.2)	▲ 23%	(6.7)	▲ 13%
Research and development	(7.6)	(6.8)	▲ 12%	(8.8)	▼ (14%)
Other income	0.0	0.0	-	0.0	-
Other (losses)/gains-net	(1.2)	0.6	▼ (300%)	(1.3)	▼ (8%)
Earnings before interest and tax	**0.0**	**6.3**	▼ **(100%)**	**5.3**	▼ **(100%)**
Finance income (net)	0.2	0.4	▼ (50%)	0.4	▼ (50%)
Operating income before income tax	**0.2**	**6.7**	▼ (97%)	**5.7**	▼ (96%)
Income tax benefit/(expense)	1.3	(1.0)	▼ (230%)	(1.3)	▼ (200%)
Profit after income tax	**1.5**	**5.7**	▼ (74%)	**4.4**	▼ (66%)

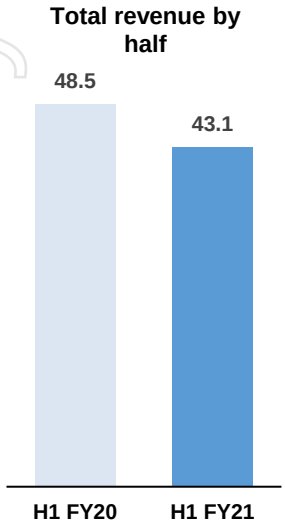
Total revenue for the half year was $43.1 million, down 11% compared with the prior corresponding period. Overall revenue for the half year was also impacted by a stronger Australian dollar. In constant currency[2] terms H1 FY21 revenue was $44.6 million, down 8% compared with the prior corresponding period.

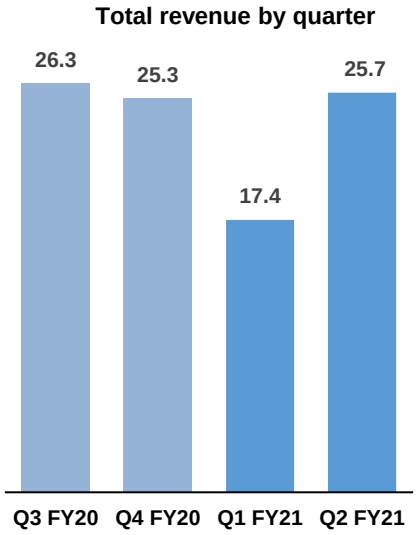
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Total revenue

($ million)





- *Q1 FY21 down -31% vs Q4 FY20*
- *Q2 FY21 up +48% vs Q1 FY21*

The majority of the impact on revenue in H1 FY21 was experienced in Q1, driven primarily by the impacts of COVID-19 on GE Healthcare's capital and consumable inventory at 30 June 2020. This resulted in lower purchases by GE Healthcare in Q1 of FY21. New installed base momentum improved across the half together with a recovery in ultrasound procedures. As a result, GE Healthcare resumed purchases of capital equipment in Q2 and increased levels of consumables purchases, contributing to an increase in total revenue of 48% in Q2 FY21 compared with Q1 FY21.

In North America, total revenue for the half was $36.9 million down 16% compared with prior corresponding period. As described above, the impact in revenue was primarily associated with the foreshadowed significant reduction in capital equipment purchases and a reduction in purchases of consumables in Q1 FY21 by GE Healthcare in response to increased inventory holdings at the end of Q4 FY20. Importantly, GE Healthcare resumed purchasing capital equipment in Q2 FY21 and increased purchases of consumables as a result of the recovery in ultrasound procedures across the half. This coupled with increasing sales by Nanosonics' direct operations resulted in total revenue growing 54% between Q1 FY21 and Q2 FY21.

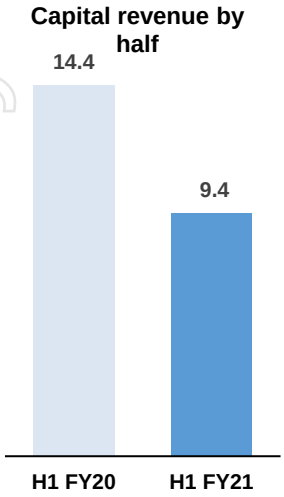
In EMEA, total revenue for the half was $3.6 million, up 50% compared with prior corresponding period. Revenue growth momentum was also experienced between the first and second quarter with Q2 FY21 revenue up 25% compared with Q1 FY21.

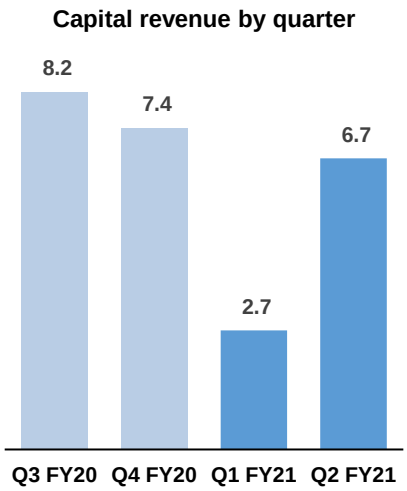
In Asia Pacific, total revenue for the half was $2.6 million, up 8% compared with prior corresponding period. All revenue associated with I-MED's upgrade of 200+ trophon®EPR units is expected to be recognised in H2 FY21.

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Capital revenue

($ million)



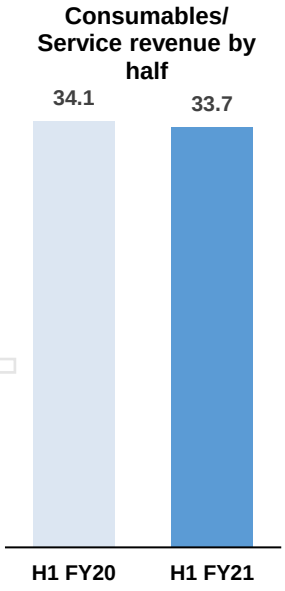


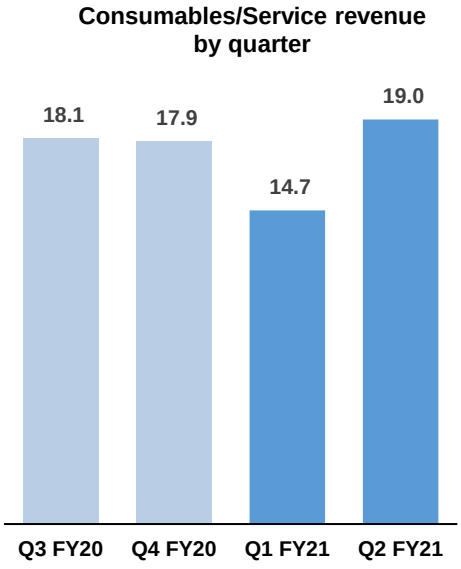
- *Q1 FY21 down -64% vs Q4 FY20*
- *Q2 FY21 up +148% vs Q1 FY21*

Capital revenue for the half year was $9.4 million, down 35% compared with prior corresponding period. This impact was primarily felt in the first quarter where no capital units were sold to GE Healthcare resulting in a reduction in capital revenue of 64% between Q4 FY20 and Q1 FY21. As GE Healthcare resumed capital purchases in the second quarter, coupled with an increasing installed base, capital revenue grew by 148% compared with Q1.

Consumables/Service revenue

($ million)





- *Q1 FY21 down -18% vs Q4 FY20*
- *Q2 FY21 up +29% vs Q1 FY21*

Total revenue associated with consumables and service for the half year was $33.7 million, down 1% compared with prior corresponding period. Revenue from consumables and service in Q1 FY21 was impacted by a reduction in ultrasound procedure volumes in Q4 of FY20. This led to a reduction in purchases by GE Healthcare in Q1 FY21.

Importantly, total consumables and service revenue in Q2 FY21 was up 29% compared with Q1 FY21. This growth reflects the recovery in ultrasound procedure volumes experienced in the half leading to increased purchases by GE Healthcare, along with the growing installed base. Q2 FY21 consumables and service revenue in constant currency represented the Company's highest quarter on record.

Contingent on the market conditions continuing to improve, the ongoing recovery in ultrasound procedure volumes and the growing installed base is anticipated to result in further growth in consumables and service revenue in the second half of FY21.

During the half year, Nanosonics continued to make significant investments in its broader growth strategy. Investments continued across the Company's global infrastructure capacity and capabilities and geographical expansion, with a particular focus on Japan and China. In addition, investments continued in the Company's product expansion strategy through its internal R&D program as well as business development activities assessing strategic acquisition opportunities. Operating expenses of $33.0 million were up 8% on prior corresponding period.

Operating profit before tax was $0.2 million compared to $6.7 million in prior corresponding period. This reflects the impacts of COVID-19, in particular on Q1 revenue, the ongoing investment in the Company's growth strategy and a stronger Australian dollar.

Free cash flow for the half year was a net outflow of $2.4 million compared with a net cash inflow of $10.0 million in prior corresponding period due to the amount and timing of customer receipts and the timing of supplier payments.

As at 31 December 2020, cash and cash equivalents totalled $87.9 million, compared with $91.8 million at 30 June 2020. This cash balance coupled with negligible debt provides an ongoing strong foundation for continued investment in growth.

The Company's capital management is reviewed regularly. In light of an increasing global focus on infection prevention, active investigation of opportunities to invest in the Company's broader strategic growth agenda is planned to continue.

R&D

As reported at the FY20 AGM, Nanosonics continues to invest in a number of innovations aimed at addressing a broader range of infection prevention requirements. In the first half $7.6 million was invested in R&D, up 12% on prior corresponding period. The R&D team continued to make significant progress across a number of projects including a new platform technology and a solution for further digital traceability and reporting.

In addition, ongoing investigations into potential strategic acquisitions and/or product licensing or collaboration opportunities continue through the newly established business development function.

H2 FY21 EXPECTATIONS

"The positive growth trend and improving market conditions experienced across the half are expected to continue, subject of course to the inherent risks and uncertainties associated with the COVID-19 pandemic. Based on current market improvements the Company is anticipating ongoing growth in total revenue and profitability into the second half, driven by increasing installed base growth and increased usage of consumables across all regions. With COVID-19 vaccination programs underway, the Company is optimistic that overall market conditions, in particular access to hospitals, are likely to continue to improve.

"Similarly, the Company remains optimistic about the future for both the trophon ecosystem and the broader opportunities across the infection prevention market. The underlying fundamentals for the business remain strong and we maintain our commitment to continue to invest in the strategic growth priorities of the business through market expansion, R&D and infrastructure and capability growth. Total operating expenses for the year are now expected to be at the lower end of the $75 million to $78 million range indicated previously", said Mr Kavanagh.

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BEYOND FY21

Our forward looking growth agenda remains very much intact and indeed the COVID-19 pandemic increases our resolve to execute on this agenda. Beyond FY21, Nanosonics is targeting:

- Continued growth in the trophon ecosystem and installed base across all regions;
- Growth in upgrades of trophon EPR to trophon2;
- Japan to become an important contributor to global installed base growth as well as further expansion into Asia Pacific including China;
- Proactive expansion of our product portfolio through internal product development and opportunities for strategic acquisitions and product licensing across key vectors of infection; and
- Ongoing investment in R&D, infrastructure, people and capability to continue driving the global growth strategy with the aim of establishing Nanosonics as a global leader in infection prevention.

Michael Kavanagh
CEO / President

Notes
1. Quarterly revenue data is based on management accounts.
2. Constant currency (CC) removes the impact of foreign exchange rate movements to facilitate comparability of operational performance. This is done by converting the current period sales of entities that use currencies other than Australian dollars at the rates that were applicable in the prior period. The average exchange rate used for the Company's major foreign currency for the 6 months to Dec20/Dec19 was AUD/USD 0.72/0.68.

Authorised for lodgement by the Board of Directors of Nanosonics Limited

Investor conference call

Investors are invited to join a conference call hosted by Michael Kavanagh, CEO and President and McGregor Grant, CFO on **Wednesday 24 February 2021 at 11.00am AEDT**.

To join the conference call, investors should first register through the link below which will provide the dial-in number, passcode, and PIN. Once registered, investors will be able join the conference call instantly.

https://s1.c-conf.com/diamondpass/10012372-fgcxsk-eureka.html

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